

The background of the page is a white fabric surface, possibly a piece of clothing, with several paint cans and a brush scattered around. The paint cans are open and contain various colors: light green, yellow, lime green, and purple. A brush with a wooden handle and a metal ferrule is lying on the fabric. There are also some red and orange stains on the fabric. The title "Illustrative Disclosures - Revenue" is written in a blue, sans-serif font in the upper right quadrant.

Illustrative Disclosures - Revenue

US GAAP

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A focus on disclosure

Any discussion about the new standard on revenue recognition, Topic 606, inevitably revolves around the accounting. The new standard introduces a model for recognition of revenue for all industries that is based on the transfer of control. It is likely to affect most entities' financial statements, processes and controls – with certain entities impacted more than others. Understanding the impacts that the new standard will have on an entity will require a thorough understanding of the new model and an analysis of its application to particular transactions.

There has been less discussion about the disclosure requirements of Topic 606. Both public and private entities will be subject to extensive new disclosure requirements for financial reporting purposes. In addition to affecting an entity's internal controls and business processes around external financial reporting, they will likely impact the core systems used to produce the numbers required in the quantitative disclosures.

In this publication, we hope to bridge the gap between the accounting requirements of Topic 606 and the related disclosures – by illustrating the disclosure requirements for one fictitious company. We hope that this publication helps with the analysis of disclosures that your organization will require as you move closer to implementation of the new standard.

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About this publication



The purpose of this publication is to assist you in understanding the disclosure requirements of FASB Topic 606, *Revenue from Contracts with Customers*, which was created by the issuance of FASB Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, in May 2014. The publication illustrates one possible format for financial statements based on a fictitious multinational corporation.

About the company and its disclosures

The example disclosures in this publication assume a multinational listed calendar year-end corporation (public business entity) that is headquartered in the United States.

The company provides telecommunication services and builds satellite communications equipment for delivery to customers. The company does not launch the communications equipment or operate the assets after delivery. The company has customers in the United States and abroad.

The following disclosures are illustrated:

- primary financial statements;
- revenue note, including significant accounting policies for revenue recognition;
- contract costs note;
- operating segments note; and
- changes in accounting policies note.

As such, the disclosures do not represent complete financial statements in accordance with US GAAP or SEC reporting requirements. Neither does this publication illustrate all of the disclosure requirements of Topic 606, which will depend on an entity's underlying facts and circumstances. For a full list of required disclosures, see Appendix II.

The company is required to present two years of consolidated balance sheets and three years of the consolidated statements of income and comprehensive income and consolidated statements of cash flows. The company has chosen to apply Topic 606 retrospectively, using the practical expedient allowing it to not disclose the amount of the transaction price allocated to the remaining performance obligations. Instead, the company explains when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application, which is January 1, 2018 for the company.

Appendix I illustrates disclosures when applying Topic 606 retrospectively using the cumulative effect method of adoption.

US GAAP and its interpretation change over time. As of the date of this publication, the FASB is considering amendments to Topic 606 to provide certain disclosure relief. Accordingly, this publication should not be used as a substitute for referring to the standards and interpretations themselves.

Future developments

Under the new standard an entity is required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The entity also provides either a quantitative (using time



About this publication (continued)

bands) or a qualitative explanation of when it expects that amount to be recognized as revenue. As a practical expedient, an entity is not required to make this disclosure if the contract has an original expected duration of one year or less or the entity applies the practical expedient to recognize revenue at the amount to which it has the right to invoice as outlined in paragraph 606-10-55-18.

In March 2016, the FASB decided to propose an additional practical expedient that would allow an entity to not include the following types of variable consideration in the disclosure of remaining performance obligations:

- sales-based or usage-based royalties promised in exchange for a license of intellectual property; and
- variable consideration that is allocated entirely to a wholly unsatisfied performance obligation; or to a wholly unsatisfied distinct good or service that forms part of a single performance obligation, and meets the variable allocation criteria in paragraph 606-10-32-40.

This proposal will eliminate the requirement for entities to estimate certain variable consideration for disclosure purposes when those estimates do not have to be made for measurement and recognition of revenue. In conjunction with the option to remove certain quantitative disclosures, the FASB also decided to make improvements to the qualitative disclosure requirements for remaining performance obligations outlined in paragraph 606-10-50-15.

As of the date of this publication, the FASB has not yet issued an Exposure Document outlining this proposal. The FASB proposal does not amend the requirements of the new standard until a final ASU is issued. In this publication, we assume that the FASB will ultimately propose and adopt this expansion of the practical expedient. This publication does not include expanded qualitative disclosures which may be required by the ASU if issued.

Organization of the text

The publication contains the illustrative disclosures on the right hand side of the page when printed, with our explanatory notes on the left hand side. The disclosures are intended to explain the relevant requirements of Topic 606 and therefore may be more detailed than necessary in practice. Individual entities should tailor the disclosures and their order to reflect their specific circumstances, including the materiality of the items concerned.

For financial statement captions not expected to be impacted by the adoption of Topic 606, we have presented the amounts as XXX. Where we do give dollar amounts, these are illustrative only and not intended to indicate any customary relationship between accounts.

We have included references to the FASB Topic (or Codification). For example, *606-10-50-1* is paragraph 50-1 of Topic Subtopic 606-10, and *ASU 2014-09.BC327* is paragraph 327 of the basis for conclusions to ASU 2014-09.

The disclosure requirements discussed in the illustration relate to annual periods, however, we have indicated the disclosures that are required for interim periods.

About Topic 606



Disclosure requirements

The objective of the disclosure requirements in Topic 606 is for an entity to disclose sufficient information to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

To meet this objective, the standard includes the following disclosure requirements:

Disaggregation of revenue from contracts with customers

Entities are required to disaggregate revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Contract balances

Entities are required to disclose all of the following:

- The opening and closing balances of contract assets, liabilities and receivables (if not otherwise separately presented or disclosed);
- The amount of revenue recognized in the current period that was included in the opening contract liability balance;
- The amount of revenue recognized in the current period from performance obligations satisfied (or partially satisfied) in previous periods;
- An explanation of how the entity’s contracts and typical payment terms will affect its contract asset and contract liability balances; and
- An explanation of the significant changes in the balances of contract assets and contract liabilities, which should include both qualitative and quantitative information.

Performance obligations

Entities provide the following information about their performance obligations:

- When the entity typically satisfies its performance obligations;
- Significant payment terms;
- The nature of the goods or services that it has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (if the entity is acting as an agent);
- Obligations for returns and refunds, and other similar obligations;
- Types of warranties and related obligations; and
- The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

Significant judgments

Entities disclose the judgments and changes in judgments made in applying the new standard that affect the determination of the amount and timing of revenue recognition.

For performance obligations that are satisfied over time, an entity describes the method used to recognize revenue and why the methods are a faithful depiction of the transfer of goods or services.

For performance obligations that are satisfied at a point in time, an entity discloses the significant judgments made to evaluate when the customer obtains control of the promised goods or services.

Entities also disclose information about the methods, inputs, and assumptions used to:

- Determine the transaction price, which includes estimating variable consideration, assessing whether the variable consideration is constrained, adjusting the consideration for a significant financing component, and measuring noncash consideration;
- Allocate the transaction price, including estimating the stand-alone selling prices of promised goods or services and allocating discounts and variable consideration; and
- Measure obligations for returns and refunds, and other similar obligations.

Assets recognized for costs to obtain or fulfill a contract with a customer

Entities disclose the closing balance of assets that are recognized from the costs incurred to obtain or fulfill a contract with a customer, separating them by their main category and the amount of amortization and any impairment losses recognized in the reporting period.

Entities describe the judgments made in determining the amount of the costs incurred to obtain or fulfill a contract with customer and the method used to determine the amortization for each reporting period.

Effective date

Type of entity	Annual periods commencing on or after
Public business entities and not-for-profit entities that are conduit bond obligors applying US GAAP	December 16, 2017 (with early adoption permitted for annual periods beginning on or after December 16, 2016, which was the original effective date) and interim periods within the annual period.
All other US GAAP entities	December 16, 2018 (with early adoption permitted for annual periods beginning on or after December 16, 2016, which was the original effective date) and interim periods within annual periods beginning after December 15, 2019.

Transition

Topic 606 offers two transition approaches (retrospective and cumulative effect) with the retrospective having several practical expedients available. Appendices II and III illustrate disclosures when applying Topic 606 retrospectively using the variable consideration practical expedient and when applying Topic 606 using the cumulative effect, respectively.

For a deeper understanding of the requirements of Topic 606, see the latest news on KPMG’s Financial Reporting Network and our publication [Revenue – Issues In-Depth](#).

Balance sheets



Explanatory notes

606-10-65-1(f)(3)	<p>a. Topic 606 offers a range of transition options. In this publication, the Company applies Topic 606 retrospectively, using the practical expedient in relation to disclosures of remaining performance obligations. Appendix I provides example disclosures when applying retrospectively using the cumulative effect of adoption.</p>
250-10-50-1	<p>b. An entity is required to disclose the nature of and reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferred.</p> <p>The Company has labeled the restated comparative information with the heading 'as adjusted', which we believe is helpful for readers of the financial statements even though not required.</p>
606-10-45-1, ASU 2014-09. BC322–BC326	<p>c. Any unconditional rights to consideration are presented separately as a receivable. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Company has presented these unconditional rights to consideration in 'trade and other receivables, net' and disclosed the amounts separately in the related note.</p>
606-10-45-1, ASU 2014-09. BC321	<p>d. Although this publication uses the term 'contract assets', an entity may also use other terms. The Company has 'contract assets' in current assets as a result of expecting to satisfy another performance obligation in the contract within the next twelve months before it has an unconditional right to receive the consideration from the customer. Other entities may have noncurrent contract assets as a result of their estimate as to when they expect to have an unconditional right to consideration and the related cash collection cycle.</p>
ASU 2014-09. BC367	<p>e. Topic 606 and other standards do not specify where assets for rights to recover products from customers with regard to sale with a right of return should be presented. The Company has included the assets in 'inventories' and disclosed them separately in the related note (not illustrated).</p>
323-10-35-5	<p>f. The Company has investments in some associates and joint ventures, which are accounted for using the equity method. These equity method investees also adopted Topic 606 on January 1, 2018. Had the equity method investee been a non-public entity and elected to not adopt Topic 606 on January 1, 2018, the Company would not be required to adjust the equity method investees' financial statements for Topic 606 because such investees' financial statements are prepared in accordance with US GAAP.</p>
340-40-25-1	<p>g. The incremental costs of obtaining a contract (i.e. costs that would not have been incurred if the contract had not been obtained) are recognized as an asset (other than a contract asset) if the Company expects to recover them. Under the practical expedient available in Subtopic 340-40 (other assets and deferred costs – contracts with customers), the Company also expenses contract acquisition costs when the asset that would have resulted from capitalizing such costs would have been amortized in one year or less. The Company has determined that the capitalized costs relate to selling, general, and administrative expenses and therefore records the amortization of the capitalized costs of obtaining a contract in this financial statement caption consistent with those costs that are expensed as incurred.</p>
250-10-45-8	<p>h. Direct effects of a change in accounting principle, including any related income tax effects, are recognized as if the newly adopted accounting principle had been followed in prior periods. As a result, the Company recognized a change in its deferred taxes. In addition, the Company adopted ASU 2015-17, <i>Balance Sheet Classification of Deferred Taxes</i>, and has presented deferred taxes as noncurrent.</p>

Consolidated balance sheets

<i>In thousands of US dollars (\$)</i>	December 31, 2018	December 31, 2017 As adjusted* ^{a,b}
Assets		
Cash and cash equivalents	XXX	XXX
Trade and other receivables, net ^c	19,701	17,946
Contract assets ^{c,d}	721	1,681
Inventories ^e	4,927	3,793
Other investments	XXX	XXX
Current assets	34,963	31,170
Equity method investments ^f	2,686	2,028
Property, plant, and equipment, net	XXX	XXX
Intangible assets, net	XXX	XXX
Goodwill	XXX	XXX
Contract costs ^g	2,296	2,398
Other investments	XXX	XXX
Deferred tax assets ^h	934	1,040
Noncurrent assets	60,257	55,654
Total assets	95,220	86,824

* See Note 4

Interim guidance

For interim periods, an entity adopting the standard retrospectively is required to present the prior year balance sheet as adjusted. In addition, the entity is required to provide the relevant disclosures on the impacts of Topic 606 adoption on the entity's financial statements.

Balance sheets



Explanatory notes

606-10-32-10	<p>a. Refund liabilities related to rights of return are referenced as contract liabilities in Topic 606 but may not meet the definition of a contract liability that is required to be netted with a contract asset and disclosed in the contract liability roll-forward. In this publication, the Company has included its refund liabilities in 'Trade and other payables' and not in contract liabilities.</p>
250-10-45-8	<p>b. Income tax payables are likely to be affected by the adoption of Topic 606; however, for simplicity, changes have not been reflected in the example.</p>
606-10-45-1, 45-5, ASU 2014-09, BC320–BC321	<p>c. Although this publication uses the term 'Contract liabilities', an entity may also use other terms. The Company has 'contract liabilities' in current liabilities as the customers have performed (i.e. paid the Company) and the Company expects to satisfy the related performance obligation in the contract within the next twelve months. Other entities may have noncurrent contract liabilities as a result of their estimate as to when they expect to satisfy the related performance obligation.</p>
606-10-55-31 – 55-32	<p>d. If a customer does not have the option to purchase a warranty separately, an entity accounts for the warranty under Topic 450 (contingencies) unless the promised warranty, or a part of the promised warranty, provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. For this example, all changes are reflected in current portion of warranty liabilities. Entities should carefully consider the impacts and classification of any changes to current and noncurrent.</p>
250-10-45-8	<p>e. Direct effects of a change in accounting principle, including any related income tax effects, should be recognized as if the newly adopted accounting principle had been followed in prior periods. As a result, the Company recognized a change in its deferred taxes. In addition, the Company has adopted ASU 2015-17, <i>Balance Sheet Classification of Deferred Taxes</i>, and has presented deferred taxes as noncurrent.</p>

Consolidated balance sheets (continued)

	December 31, 2018	December 31, 2017
<i>In thousands of US dollars (\$), except share data</i>		
		As adjusted*
Liabilities		
Current maturities of long-term debt	XXX	XXX
Trade and other payables ^a	28,866	26,009
Income tax payables ^b	XXX	XXX
Contract liabilities ^c	5,567	5,202
Current portion of warranty liabilities ^d	609	499
Employee benefits	XXX	XXX
Current liabilities	45,174	45,701
Long-term debt, less current maturities	XXX	XXX
Warranty liabilities, less current portion ^d	XXX	XXX
Deferred tax liabilities ^e	2,420	2,428
Total liabilities	51,607	51,148
Stockholders' equity		
Class A common stock, \$X par value; XXX shares authorized; issued and outstanding XXX shares in 2018 and XXX shares in 2017	XXX	XXX
Additional paid-in capital	XXX	XXX
Accumulated other comprehensive income (loss)	XXX	XXX
Retained earnings	23,966	16,416
Total equity attributable to Company	41,663	34,113
Noncontrolling interests	1,950	1,563
Total stockholders' equity	43,613	35,676
Total liabilities and stockholders' equity	95,220	86,824

* See Note 4

The accompanying notes are an integral part of these consolidated financial statements.

Interim guidance

For interim periods, an entity adopting the standard retrospectively is required to present the prior year balance sheet as adjusted. In addition, the entity is required to provide the relevant disclosures on the impacts of Topic 606 adoption on the entity's financial statements.



Statements of income and comprehensive income

Explanatory notes

<i>606-10-65-1(f)(3)</i>	<p>a. In this publication, the Company applies Topic 606 retrospectively, using the practical expedient in relation to the disclosure of the remaining performance obligations. It is presumed that the practical expedients in paragraphs 606-10-65-1(f)(1), 65-1(f)(2), and 65-1(f)(4) have no impact on the financial statements.</p> <p>Appendix I provides an example for the statements of changes in stockholders' equity, using the cumulative effect transition method.</p>
<i>Reg S-X Rule 5-03(b)(2)</i>	<p>b. For illustrative purposes, this publication reports cost of revenues as opposed to reporting the costs and expenses applicable to each category of revenues such as 'cost of services' and 'cost of products sold'. SEC registrants would be required to report the costs and expenses applicable to each category of sales and revenues.</p>
<i>606-10-32-20, ASU 2014-09, BC246-BC247</i>	<p>c. The effect of financing (interest income or interest expense) is presented separately from revenue from contracts with customers in the statements of comprehensive income and included in 'finance income' and 'finance costs', respectively, if financing activities are not part of their central operating activities.</p>

Consolidated statements of income and comprehensive income

	For the year ended December 31		
	2018	2017	2016 ^a
		As adjusted*	As adjusted*
<i>In thousands of US dollars (\$) except per share information</i>			
Service revenue	52,124	49,963	44,677
Products revenue	64,455	68,640	59,395
Revenue	116,579	118,603	104,072
Cost of revenues ^b	(69,571)	(78,153)	(70,849)
Selling, general, and administrative expenses	(15,562)	(15,865)	(12,873)
Other operating expenses	XXX	XXX	XXX
Operating income	10,334	9,624	9,048
Finance income ^c	2,331	1,235	1,110
Finance costs ^c	(1,977)	(2,345)	(2,097)
Other income (expenses), net	354	(1,110)	(987)
Equity in income of equity method investee	641	531	670
Income before income taxes	11,329	9,045	8,731
Income tax expense	(3,392)	(2,942)	(2,167)
Net income	7,937	6,103	6,564
Net income attributable to noncontrolling interest	387	306	284
Net income attributable to the Company	7,550	5,797	6,280
Basic earnings per common share	\$0.33	\$0.27	\$0.29
Weighted-average shares outstanding (in millions)	22,961	21,435	21,322
Diluted earnings per share	\$0.33	\$0.27	\$0.29
Weighted-average shares outstanding (in millions)	23,002	21,650	21,476
Other comprehensive income, net of tax			
Foreign operations – foreign currency translation differences	XXX	XXX	XXX
Equity method investee – share of OCI	(XXX)	(XXX)	(XXX)
Changes in fair value of available-for-sale investments	(XXX)	(XXX)	(XXX)
Other comprehensive income, net of tax	XXX	XXX	XXX
Less comprehensive income attributable to noncontrolling interest	(XXX)	(XXX)	(XXX)
Net comprehensive income attributable to Company	XXX	XXX	XXX

* See Note 4

The accompanying notes are an integral part of these consolidated financial statements.

Interim guidance

For interim periods, an entity adopting the standard retrospectively is required to present the prior comparable period statements of comprehensive income as adjusted for both the quarter-to-date and year-to-date periods. In addition, the entity is required to provide the relevant disclosures on the impacts of Topic 606 adoption on the entity's financial statements.

Statements of changes in stockholders' equity



Explanatory notes

606-10-65-1(f)(3)

- a.** In this publication, the Company applies Topic 606 retrospectively, using the practical expedient in relation to the disclosure of the remaining performance obligations. It is presumed that the practical expedients in paragraphs 606-10-65-1(f)(1), 65-1(f)(2), and 65-1(f)(4) have no impact on the financial statements.

Appendix I provides an example for the statements of changes in stockholders' equity, using the cumulative effect transition method.

Consolidated statements of changes in stockholders' equity^a

For the year ended December 31

<i>In thousands of US dollars (\$)</i>	Class A shares	Class A Common Stock	Additional Paid-in Capital	Retained (deficit) earnings	Accumulated Other Comprehensive (Loss) Income	Equity attributable to the Company	Noncontrolling interests	Total stockholders' equity
Balance at January 1, 2016, as previously reported	XXX	XXX	XXX	(372)	XXX	17,325	908	18,233
Impact of change in accounting policy		XXX	XXX	4,711	XXX	4,711	65	4,776
As adjusted balance at January 1, 2016	XXX	XXX	XXX	4,339	XXX	22,036	973	23,009
As adjusted net income	–	–	–	6,280	–	6,280	284	6,564
[As adjusted...]	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
As adjusted balance at December 31, 2016	XXX	XXX	XXX	10,619	XXX	28,316	1,257	29,573
As adjusted net income	–	–	–	5,797	–	5,797	306	6,103
[As adjusted...]	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
As adjusted balance at December 31, 2017	XXX	XXX	XXX	16,416	XXX	34,113	1,563	35,676
Net income	–	–	–	7,550	–	7,550	387	7,937
[...]	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Balance at December 31, 2018	XXX	XXX	XXX	23,966	XXX	41,663	1,950	43,613

The accompanying notes are an integral part of these consolidated financial statements.

Interim guidance

If there are significant changes in stockholders' equity accounts subsequent to the most recent fiscal year, that information should be disclosed either in the balance sheet, a statement of changes in stockholders' equity, or in the notes to the financial statements in accordance with Reg S-X, Rule 10-01(a)(5).

Statements of cash flows



Explanatory notes

- | | |
|--------------------------|---|
| <i>606-10-65-1(f)(3)</i> | <p>a. In this publication, the Company applies Topic 606 retrospectively, using the practical expedient in relation to remaining performance obligations. It is presumed that the practical expedients in paragraphs 606-10-65-1(f)(1), 65-1(f)(2), and 65-1(f)(4) have no impact on the financial statements.</p> <p>Appendix I provides an example for the statements of changes in stockholders' equity, using the cumulative effect transition method.</p> |
| | <p>b. If interest expense is recognized due to a significant finance component in respect to a contract liability then this interest would need to be adjusted as a transaction of non-cash nature in the cash flow statement when the indirect method is used to present the cash flows from operating activities. In addition, the Company is required to disclose the interest costs incurred, net of capitalized interest, and the amounts paid during the period.</p> |

Consolidated statements of cash flows^a

	For the year ended December 31		
	2018	2017	2016
		As adjusted*	As adjusted*
<i>In thousands of US dollars (\$) except per share information</i>			
Cash flows from operating activities			
Net income	7,937	6,103	6,564
Adjustments to reconcile net income to net cash provided by operating activities			
– Depreciation and amortization	XXX	XXX	XXX
– Net finance income/(costs)	(274)	832	213
– Equity in income of equity method investees	(641)	(531)	(670)
– Deferred income tax expense	98	948	113
– (Increase) decrease in inventories	(1,134)	1,794	(845)
– Decrease (increase) in contract costs	102	(214)	(312)
– Decrease (increase) in contract assets	960	(108)	(213)
– (Increase) decrease in trade and other receivables	(1,755)	(295)	1,143
– Increase in trade and other payables	2,857	340	1,020
– Increase in contract liabilities ^b	365	62	13
– [...]	XXX	XXX	XXX
Net cash flows provided by operating activities	XXX	XXX	XXXX
Cash flows from investing activities			
[...]			
Net cash used in investing activities	XXX	XXX	XXX
Cash flows from financing activities			
[...]			
Net cash from financing activities	XXX	XXX	XXX
Net decrease in cash and cash equivalents	XXX	XXX	XXX
Cash and cash equivalents at beginning of the year	XXX	XXX	XXX
Effect of movements in exchange rates on cash held	XXX	XXX	XXX
Cash and cash equivalents at end of year	XXX	XXX	XXX
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest, net of capitalized interest	XXX	XXX	XXX
Income taxes	XXX	XXX	XXX

* See Note 4

The accompanying notes are an integral part of these consolidated financial statements.

Interim guidance

For interim periods, an entity adopting the standard retrospectively is required to present the prior comparable period statement of cash flows as adjusted for the year-to-date periods. In addition, the entity is required to provide the relevant disclosures on the impacts of Topic 606 adoption on the entity's financial statements.



Revenue disclosures under Topic 606

Performance obligations

Explanatory notes

ASU 2014-09,
 BC354,
 606-10-50-12

- a.** Under previous guidance in US GAAP, entities had to disclose their accounting policies for recognizing revenue. However, some users of financial statements suggested that in many cases, entities provided a ‘boilerplate’ description of the accounting policy without explaining how that accounting policy related to the contracts that the entity enters into with customers. To address this criticism, Topic 606 requires that an entity disclose information about its performance obligations in contracts with customers. This disclosure complements the accounting policy requirements in existing standards by requiring an entity to provide more descriptive information about its performance obligations.

The accounting policies included in this publication reflect the circumstances of the Company and are limited to the specific policies that are relevant to understanding the Company’s revenue accounting.

These examples of accounting policies should not be relied on for a complete understanding of Topic 606 and should not be used as a substitute for referring to the standard. To help you identify the underlying requirements in Topic 606, references to the relevant requirements in the standard have been included.

606-10-50-12

- b.** Topic 606 requires detailed disclosure of entities’ performance obligations in contracts with customers. The standard does not specify the level of detail for the information – i.e. judgment is required.

Notes to the consolidated financial statements (extract)^a

1. Revenue

A. Significant accounting policy

606-10-25-23, 32-1
 – 32-2

Revenue is measured based on a consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

606-10-32-2A

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

606-10-25-18B

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are included in cost of revenues.

B. Nature of goods and services^{a, b}

606-10-50-6, 50-12

The following is a description of principal activities – separated by reportable segments – from which the Company generates its revenue. For more detailed information about reportable segments, see Note 3.

i. Telecom segments

The telecom segments of the Company principally generate revenue from providing mobile telecommunication services, such as airtime usage, messaging, internet services, as well as from sales of mobile devices and extended warranties. Products and services may be sold separately or in bundled packages. The typical length of a contract for service is 24 months.

606-10-25-14(a), 25-19, 32-28 – 32-29, 32-34

For bundled packages, the Company accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it on its own or with other resources that are readily available to the customer. The consideration (including any discounts) is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the prices at which the Company separately sells the mobile devices, extended warranties, and telecommunication services. For items that are not sold separately (e.g. customer loyalty program) the Company estimates stand-alone selling prices using the adjusted market assessment approach.

Performance obligations

Explanatory notes

606-10-50-12(e)
606-10-55-30-55-
35

- a.** An ‘assurance warranty’ is a warranty that only covers the compliance of a product with agreed-upon specifications. A ‘service warranty’ provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. Service warranties are accounted for as separate performance obligations and the entity allocates a portion of the transaction price to that performance obligation.

Notes to the consolidated financial statements (extract)

1. Revenue (continued)

B. Nature of goods and services (continued)

	Products and services	Nature, timing of satisfaction of performance obligations, and significant payment terms
606-10-50-12	Mobile devices	The Company recognizes revenue in products revenue when a customer takes possession of the device. This usually occurs when the customer signs a new or renewal contract. The amount of revenue recognized for mobile devices is adjusted for expected returns, which are estimated based on the historical data for specific models, adjusted as necessary to estimate returns for new models. For mobile devices sold separately, customers pay in full at a point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal installments over the period of 24 months.
606-10-50-12	Mobile telecommunication services	Mobile telecommunication services include voice, data, and text services. The Company recognizes revenue as mobile services are provided in service revenue. Mobile services are billed and paid on a monthly basis.
606-10-50-12	Extended warranty ^a	The Company recognizes revenue for extended warranties on a straight-line basis over the extended warranty period in service revenue. In the majority of countries, in which the Company operates, the statutory warranty period is one year and the extended warranty covers periods beyond year one. Customers typically pay for extended warranties in equal monthly amounts over the term of the warranty.
606-10-50-12, 32-34	Customer loyalty program	Under its customer loyalty program, the Company utilizes an adjusted market approach to estimate the stand-alone selling price of the loyalty program and allocates a portion of the consideration received for mobile devices and mobile telecommunication services to loyalty points which are redeemable against future purchases of the Company's products or services. The amount is deferred in the balance sheet and is recognized as revenue when the points are redeemed or when the likelihood of redemption is remote. Revenue is recognized in the category where redeemed.

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Notes to the consolidated financial statements (extract)

1. Revenue (continued)

B. Nature of goods and services (continued)

ii. SATCOM segments

The SATCOM segments of the Company principally generate revenue from building and delivering satellite communications equipment under long-term contracts with government agencies and other non-government customers. The Company does not operate or control the assets once delivered. All SATCOM contracts include a standard warranty clause to guarantee that satellite communications equipment comply with agreed specifications.

606-10-50-12,
50-17(a)

Contracts with government

Under SATCOM contracts with government agencies, the government controls all of the work-in-progress, as satellite communications equipment are being built. Revenue is recognized progressively based on the cost-to-cost method. Payment terms for contracts with government agencies are usually based on equal instalments over the duration of the contract. If the Company has recognized revenue, but not issued a bill, the entitlement is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Other contracts

Under other SATCOM contracts, customers do not take control of the satellite communications equipment until it is completed. Revenue is recognized on formal acceptance by the customer. On signing of the contract, customers are usually required to make an advance payment of 20% of the contract value that is refundable if the contract is cancelled. The rest of the consideration is payable on acceptance.

Disaggregation of revenue (also required for quarterly reporting)

Explanatory notes

<p>606-10-50-5, 55-89 270-10-50-1A</p>	<p>a. The extent to which an entity’s revenue is disaggregated for the purposes of this disclosure depends on the facts and circumstances that pertain to the entity’s contracts with customers. Some entities may need to use more than one type of category to meet the objective in Topic 606 for disaggregating revenue. Other entities may meet the objective by using only one type of category to disaggregate revenue (also required for quarterly reporting).</p>																
<p>606-10-55-91, 270-10-50-1Av</p>	<p>b. Examples of categories that might be appropriate include, but are not limited to, all of the following (also required for quarterly reporting).</p> <table border="1" data-bbox="443 757 1481 1301"> <thead> <tr> <th>Type of category</th> <th>Example</th> </tr> </thead> <tbody> <tr> <td>Type of good or service</td> <td>Major product lines</td> </tr> <tr> <td>Geographical region</td> <td>Country or region</td> </tr> <tr> <td>Market or type of customer</td> <td>Government and non-government customers</td> </tr> <tr> <td>Type of contract</td> <td>Fixed-price and time-and-materials contracts</td> </tr> <tr> <td>Contract duration</td> <td>Short-term and long-term contracts</td> </tr> <tr> <td>Timing of transfer of goods or services</td> <td>Goods or services transferred to customers: – at a point in time; and – over time</td> </tr> <tr> <td>Sales channels</td> <td>Goods or services sold: – directly to consumers; and – through intermediaries</td> </tr> </tbody> </table>	Type of category	Example	Type of good or service	Major product lines	Geographical region	Country or region	Market or type of customer	Government and non-government customers	Type of contract	Fixed-price and time-and-materials contracts	Contract duration	Short-term and long-term contracts	Timing of transfer of goods or services	Goods or services transferred to customers: – at a point in time; and – over time	Sales channels	Goods or services sold: – directly to consumers; and – through intermediaries
Type of category	Example																
Type of good or service	Major product lines																
Geographical region	Country or region																
Market or type of customer	Government and non-government customers																
Type of contract	Fixed-price and time-and-materials contracts																
Contract duration	Short-term and long-term contracts																
Timing of transfer of goods or services	Goods or services transferred to customers: – at a point in time; and – over time																
Sales channels	Goods or services sold: – directly to consumers; and – through intermediaries																
<p>606-10-50-6, 270-10-50-1A</p>	<p>c. An entity is required to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies Topic 280 (segment reporting). An entity may be required to disclose certain revenue streams below the segment level to satisfy the new standard’s disclosure objectives.</p>																
<p>606-10-50-3, ASU 2014-09, BC339–BC340, 280-10-50-41, 270-10-50-1A</p>	<p>d. An entity need not disclose information in accordance with Topic 606 if it has provided the information in accordance with another standard.</p> <p>The Company has disclosed the geographical information about revenues from external customers attributed to the Parent’s country of domicile and attributed to foreign countries from which the Company derives revenues in accordance with Topic 280. In addition, the Company has disaggregated the revenue into geographical regions for each reportable segment in this table. The Company has disaggregated the revenue by major product and services lines for each reportable segment in this table. Finally, the Company has disaggregated revenue by the timing of transfer of services and products for each reportable segment.</p>																

Notes to the consolidated financial statements (extract)

1. Revenue (continued)

C. Disaggregation of revenue

606-10-50-5
– 50-6

In the following table, revenue is disaggregated by primary geographical market, major product line, and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the reportable segments. ^{a, b, c}

	Reportable segments						Total
	Telecom – North America	Telecom – Other jurisdictions	SATCOM – Government	SATCOM – Non-government	Total reportable segments	All other segments	
December 31, 2018							
<i>In thousands of US dollars (\$)</i>							
Primary geographical markets^a							
North America	44,118	–	12,498	2,912	59,528	44	59,572
Europe	–	22,053	10,045	1,356	33,454	477	33,931
Asia	–	18,314	–	4,699	23,013	63	23,076
	44,118	40,367	22,543	8,967	115,995	584	116,579
Major products/services lines							
Mobile devices	15,487	14,296	–	–	29,783	–	29,783
Mobile telecommunications service	27,213	24,911	–	–	52,124	–	52,124
Extended warranty	1,228	1,101	–	–	2,329	–	2,329
SATCOM products	–	–	21,341	8,422	29,763	–	29,763
Others	190	59	1,202	545	1,996	584	2,580
	44,118	40,367	22,543	8,967	115,995	584	116,579
Timing of revenue recognition							
Products transferred at a point in time	15,677	14,355	1,202	8,422	39,656	254	39,910
Products and services transferred over time	28,441	26,012	21,341	545	76,339	330	76,669
	44,118	40,367	22,543	8,967	115,995	584	116,579

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Notes to the consolidated financial statements (extract)

1. Revenue (continued)

C. Disaggregation of revenue (continued)

	Reportable segments							Total
	December 31, 2017							
	Telecom – North America	Telecom – Other jurisdictions	SATCOM – Government	SATCOM – Non- government	Total reportable segments	All other segments		
<i>In thousands of US dollars (\$)</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	
Primary geographical markets								
North America	43,092	–	17,479	486	61,057	56	61,113	
Europe	–	23,112	10,714	1,418	35,244	500	35,744	
Asia	–	14,948	–	6,742	21,690	56	21,746	
	43,092	38,060	28,193	8,646	117,991	612	118,603	
Major products/services lines								
Mobile devices	14,986	13,998	–	–	28,984	–	28,984	
Mobile telecommunications service	26,978	22,985	–	–	49,963	–	49,963	
Extended warranty	1,013	996	–	–	2,009	–	2,009	
SATCOM products	–	–	27,207	8,155	35,362	–	35,362	
Others	115	81	986	491	1,673	612	2,285	
	43,092	38,060	28,193	8,646	117,991	612	118,603	
Timing of revenue recognition								
Products transferred at a point in time	15,101	14,079	986	8,155	38,321	288	38,609	
Products and services transferred over time	27,991	23,981	27,207	491	79,670	324	79,994	
	43,092	38,060	28,193	8,646	117,991	612	118,603	

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Notes to the consolidated financial statements (extract)

1. Revenue (continued)

C. Disaggregation of revenue (continued)

	Reportable segments						
	December 31, 2016						
	Telecom – North America	Telecom – Other jurisdictions	SATCOM – Government	SATCOM – Non- government	Total reportable segments	All other segments	Total
<i>In thousands of US dollars (\$)</i>	As adjusted*	As adjusted*	As adjusted*	As adjusted*	As adjusted*	As adjusted*	As adjusted*
Primary geographical markets							
North America	40,143	–	11,621	2,801	54,565	32	53,497
Europe	–	22,632	7,601	802	31,035	487	29,622
Asia	–	10,627	–	7,283	17,910	43	20,953
	40,143	33,259	19,222	10,886	103,510	562	104,072
Major products/services lines							
Mobile devices	13,764	12,966	–	–	26,730	–	26,730
Mobile telecommunications service	25,274	19,403	–	–	44,677	–	44,677
Extended warranty	985	845	–	–	1,830	–	1,830
SATCOM products			18,366	10,252	28,618	–	28,618
Others	120	45	856	634	1,655	562	2,217
	40,143	33,259	19,222	10,886	103,510	562	104,072
Timing of revenue recognition							
Products transferred at a point in time	13,884	13,011	856	10,252	38,003	264	38,267
Products and services transferred over time	26,259	20,248	18,366	634	65,507	298	65,805
	40,143	33,259	19,222	10,886	103,510	562	104,072

Interim guidance

For interim periods, an entity adopting the standard retrospectively is required to present the prior comparable period disclosures as adjusted for both the quarter-to-date and year-to-date periods.

Contract balances (also required for quarterly reporting)

Explanatory notes

<p><i>606-10-50-8(a), 270-10-50-1A</i></p>	<p>a. An entity discloses the opening and closing balances of receivables, contracts assets, contract liabilities, and receivables from contracts with customers if they are not otherwise separately presented or disclosed.</p>
<p><i>606-10-25-27(c), 45-4, ASU 2014- 09.BC145, 270-10-50-1A</i></p>	<p>b. This publication presumes that although the Company has an enforceable right to payment for performance completed to date in relation to many of the SATCOM products, it does not necessarily have a present unconditional right to consideration.</p>
<p><i>606-10-50-10, ASU 2014-09. BC346, 270-10-50-1A</i></p>	<p>c. Although Topic 606 does not require a tabular reconciliation of the aggregated contract balances, it requires that the explanation of significant changes in the contract asset and the contract liability balances during the reporting period include both qualitative and quantitative information.</p>
<p><i>310-10-50-15, 606-10-50-3, 50-4(b), 270-10-50-1A</i></p>	<p>d. An entity is required to disclose impairment losses recognized on receivables from contracts with customers, if any. With reference to Topic 310 (receivables), it is assumed that this disclosure has been included in the receivables note.</p>

Notes to the consolidated financial statements (extract)

1. Revenue (continued)

D. Contract balances

606-10-50-8(a),
270-10-50-1A

The following table provides information about receivables, contracts assets, and contract liabilities from contracts with customers.^a

<i>In thousands of US dollars (\$)</i>	December 31, 2018	December 31, 2017 As adjusted*
Receivables, which are included in 'Trade and other receivables' ^b	12,615	10,654
Contract assets	721	1,681
Contract liabilities	5,567	5,202

606-10-50-8(c),
270-10-50-1A

The amount of revenue recognized in 2018 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to the changes in the estimate of the stage of completion of SATCOM contracts with governments is \$265 (2017: \$105).

606-10-50-9,
270-10-50-1A

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on government SATCOM contracts and mobile handsets. The contract assets are transferred to the receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for non-government SATCOM contracts, for which transfer of control occurs, and therefore revenue is recognized on completion of satellite communications equipment.

606-10-50-10,
270-10-50-1A

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.^{c, d}

<i>In thousands of US dollars (\$)</i>	2018		2017 As adjusted*	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
606-10-50-8(b), 270-10-50-1A	–	4,294	–	3,985
	–	(4,328)	–	(4,047)
	(1,591)	–	(1,495)	–
606-10-50-10(b), 270-10-50-1A	631	–	1,603	–
606-10-50-10(a), 270-10-50-1A	–	(331)	–	–

* See Note 4

Transaction price allocated to the remaining performance obligations

Explanatory notes

606-10-50-2	<p>a. Topic 606 does not require the disclosure of information about remaining performance obligations by products and/or service. However, the Company believes that the disaggregated information enables users of financial statements to better understand the nature, amount, timing, and uncertainty of revenue and cash flows.</p>
606-10-50-13(b) (1), 270-10-50-1A	<p>b. Topic 606 requires disclosure based on the time bands that would be most appropriate for the duration of the remaining performance obligations. The Company uses one-year time bands. This disclosure is required for quarterly reporting.</p>
606-10-65-1(f)(3)	<p>c. As a practical expedient, an entity that applies Topic 606 for the first time need not disclose the amount of the transaction price allocated to the remaining performance obligations for reporting periods presented before the date of initial application.</p>
606-10-65-1(g), ASU 2014-09, BC438	<p>d. Topic 606 requires an entity using the transition practical expedients in paragraph 606-10-65-1 to disclose – to the extent reasonably possible – a qualitative assessment of the estimated effect of applying each of those expedients. The Company has elected the transition practical expedient and has not disclosed, for the comparative periods, the amounts of the transaction price allocated to the remaining performance obligations and when the Company expects these to be recognized.</p>

Notes to the consolidated financial statements (extract)

1. Revenue (continued)

E. Transaction price allocated to the remaining performance obligations^a

606-10-50-13,
270-10-50-1A

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

	<i>In thousands of US dollars (\$)</i>	2019 ^b	2020 ^b	2021 ^b	Total
606-10-50-13(b)(i), 270-10-50-1A	Mobile telecommunications service	26,545	13,154	–	39,699
606-10-50-13(b)(i), 270-10-50-1A	Extended warranty service	1,856	1,053	–	2,909
606-10-50-13(b)(i), 270-10-50-1A	SATCOM products	28,765	14,357	1,096	44,218

606-10-50-14 –
50-15,
270-10-50-1A

All consideration from contracts with customers is included in the amounts presented above.

606-10-50-13(b)(ii),
270-10-50-1A

As of December 31, 2018, the amount allocated to the customer loyalty program is \$2,584 and is reflected on the Company's consolidated balance sheet as part of the contract liability. This will be recognized as revenue as the points are redeemed, which is expected to occur over the next three years.^c

606-10-50-14 –
50-15,
270-10-50-1A

The Company applies the practical expedient in paragraph 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

606-10-65-1(f)(3)

The Company applies the transition practical expedient in paragraph 606-10-65-1(f)(3) and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Company expects to recognize that amount as revenue for the year ended December 31, 2017.^d

Assets recognized for costs of obtaining or costs to fulfill a contract with a customer

Explanatory notes

340-40-50-2, 50-3 **a.** An entity is required to describe the judgments made in determining the amount of the costs of obtaining or fulfilling a contract with a customer and the method used to determine the amortization period. An entity also is required to disclose the closing balances of those capitalized costs by their main category – e.g. costs to obtain a customer contract, pre-contract costs, set-up costs, and other fulfilment costs. An entity discloses the amount of amortization and any impairment losses if not separately presented elsewhere in the financial statements.

This publication presumes the Company only has costs to obtain a customer and therefore has provided the disclosures related to that category of capitalized costs.

Notes to the consolidated financial statements (extract)

2. Contract costs^a

340-40-50-2(a),
50-3(a)

Management expects that incremental commission fees paid to intermediaries as a result of obtaining SATCOM contracts are recoverable and therefore the Company capitalized them as contract costs in the amount of \$2,296 and \$2,398 at December 31, 2018 and 2017, respectively.

340-40-50-2(b),
50-3(b)

Capitalized commission fees are amortized based on the transfer of goods or services to which the assets relate which typically range from two to three years, and are included in selling, general, and administrative expenses. In 2018, the amount of amortization was \$1,358 (2017 and 2016: \$1,296 and \$873 respectively) and there was no impairment loss in relation to the costs capitalized.

340-40-25-4

Applying the practical expedient in paragraph 340-40-25-4, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in selling, general, and administrative expenses.

Operating segments (also required for quarterly reporting)

Explanatory notes

280-10-50-30

- a.** This publication provides an example of disclosures in relation to reportable segments to enable readers to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment.

*606-10-50-12(c),
270-10-50-1(i)(6)*

- b.** An entity is required to disclose the nature of the goods or services that it has promised to transfer. In this publication, more detailed information about the nature of the goods and services is included in the revenue note.

Notes to the consolidated financial statements (extract)

3. Operating segments^a

A. Basis for segmentation

280-10-50-21

The Company has the following four strategic components, which are its reportable segments. These components offer different products and services, and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return on assets, and level of capital investment – and have different marketing strategies.

The following summary describes the operations of each reportable segment. ^b

Reportable segments		Operations
Telecom	North America	Providing mobile telecommunications services and selling mobile devices in North America.
	Other jurisdictions	Providing mobile telecommunications services and selling mobile devices in other jurisdictions outside of North America.
SATCOM	Government	Developing satellite communications equipment for government agencies.
	Non-government	Developing satellite communications equipment for non-government organizations.

280-10-50-1, 50-11

Other operations include the manufacturing of electronic equipment and related parts. None of these segments met the aggregation criteria for reportable segments in 2018, 2017, or 2016.

Operating segments (continued)

Explanatory notes

280-10-50-30

- a.** This publication provides an example of disclosures in relation to reportable segments to enable readers to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment.

Notes to the consolidated financial statements (extract)

3. Operating segments (continued)

B. Information about reportable segments

280-10-50-20

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's Chief Operating Decision Maker, is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

280-10-50-22(a)

280-10-50-22(b)

280-10-50-30(a)

Reportable segments							
December 31, 2018							
	Telecom – North America	Telecom – Other jurisdictions	SATCOM – Government	SATCOM – Non- government	Total reportable segments	All other segments	Total
<i>In thousands of US dollars (\$)</i>							
External revenues	44,118	40,367	22,543	8,967	115,995	584	116,579
Inter-segment revenue	2,375	1,275	181	612	4,443	12	4,455
Segment revenue	46,493	41,642	22,724	9,579	120,438	596	121,034

280-10-50-22(a)

280-10-50-22(b)

280-10-50-30(a)

Reportable segments							
December 31, 2017							
	Telecom – North America	Telecom – Other jurisdictions	SATCOM – Government	SATCOM – Non- government	Total reportable segments	All other segments	Total
<i>In thousands of US dollars (\$)</i>							
	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>
External revenues	43,092	38,060	28,193	8,646	117,991	612	118,603
Inter-segment revenue	2,196	1,177	223	583	4,179	15	4,194
Segment revenue	45,288	39,237	28,416	9,229	122,170	627	122,797

280-10-50-22(a)

280-10-50-22(b)

280-10-50-30(a)

Reportable segments							
December 31, 2016							
	Telecom – North America	Telecom – Other jurisdictions	SATCOM – Government	SATCOM – Non- government	Total reportable segments	All other segments	Total
<i>In thousands of US dollars (\$)</i>							
	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>	<i>As adjusted*</i>
External revenues	40,143	33,259	19,222	10,886	103,510	562	104,072
Inter-segment revenue	1,873	1,012	145	432	3,462	9	3,471
Segment revenue	42,016	34,271	19,367	11,318	106,972	571	107,543

* See Note 4

Interim guidance

For interim periods, an entity adopting the standard retrospectively is required to present the prior comparable period disclosures as adjusted for both the quarter-to-date and year-to-date periods.

Operating segments (continued)

Explanatory notes

280-10-50-30

- a.** This publication provides an example of the reconciliation of information on reportable segments to US GAAP measures in relation to revenue only, while Topic 280 requires reconciliations of information of profit or loss before income taxes, assets, and liabilities (if significant), in addition to revenue.

Notes to the consolidated financial statements (continued)

3. Operating segments (continued)

C. Reconciliations of information on reportable segments to US GAAP measures^a

<i>In thousands of US dollars (\$)</i>		2018	2017 As adjusted*	2016 As adjusted*
<i>280-10-50-30(a)</i>	<i>i. Revenues</i>			
	Total revenue for reportable segments	120,438	122,170	106,972
	Revenue for other segments	596	627	571
	Elimination of inter-segment revenue	(4,455)	(4,194)	(3,471)
	Consolidated revenue	116,579	118,603	104,072
<i>280-10-50-30(b)</i>	<i>ii. Profit before tax</i>			
	[...]			
<i>280-10-50-30(c)</i>	<i>iii. Assets</i>			
	[...]			
<i>280-10-50-30(d)</i>	<i>iv. Liabilities</i>			
	[...]			

* See Note 4

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Notes to the consolidated financial statements (extract)

3. Operating segments (continued)

280-10-50-41

D. Geographic information

The Telecom and SATCOM segments are managed on a worldwide basis, but the manufacturing facilities and sales offices are primarily operated in the US, the UK, Canada, Mexico, Netherlands, and France.

The following table presents information about the Company's revenue and noncurrent assets by the Parent's country of domicile and all foreign countries. In presenting the following information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

i. Revenue

<i>In thousands of US dollars (\$)</i>	2018	2017 As adjusted*	2016 As adjusted*
US	31,696	34,298	31,239
All foreign countries			
UK	31,654	33,641	30,423
China	21,709	20,445	16,553
Mexico	13,556	12,877	11,653
Canada	12,182	12,378	11,465
Other countries	5,782	4,964	2,739
Total	116,579	118,603	104,072

ii. Noncurrent assets

[...]	XXX	XXX	XXX
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* See Note 4

E. Major customer

606-10-50-42

Revenues from one customer of the Company's SATCOM-Government segment represented approximately \$20,000, \$17,500 and \$15,320 as of December 31, 2018, 2017, and 2016, respectively, of the Company's total revenues.

Changes in accounting policies (also required for interim periods in initial year of adoption)

Explanatory notes

606-10-65-1(f)(3),
 ASU 2014-09,
 BC435–BC445

- a.** In this publication, the Company applies Topic 606 retrospectively, using the transition practical expedient in relation to remaining performance obligations. In this publication, it is presumed that the practical expedients in paragraphs 606-10-65-1(f)(1), 65-1(f)(2), and 65-1(f)(4) have no impact on these financial statements.

Appendix I provides example disclosures for the cumulative effect method of adoption – i.e. retrospective application of Topic 606 with the cumulative effect of initially applying Topic 606 recognized as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application.

606-10-32-10

- b.** Refund liabilities related to rights of return are referenced as contract liabilities in Topic 606 but may not meet the definition of a contract liability that is required to be netted with a contract asset and disclosed in the contract liability roll-forward. In this publication, the Company has included its refund liabilities in ‘Trade and other payables’ and not in contract liabilities.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies^a

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Company adopted Topic 606 *Revenue from Contracts with Customers* with a date of the initial application of January 1, 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

606-10-65-1(f)(3),
 65-1(g)

The Company applied Topic 606 retrospectively using the practical expedient in paragraph 606-10-65-1(f)(3), under which the Company does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of the initial application – i.e. January 1, 2018. The details of the significant changes and quantitative impact of the changes are disclosed below.

A. Sales of mobile devices in bundled packages

For mobile devices sold in bundled packages, the Company previously limited upfront equipment revenue to the amount that was not contingent on the provision of future telecommunication services. That was typically the amount received from the customer on signing the contract. Under Topic 606 the total consideration in the contract is allocated to all products and services (e.g. mobile device, extended warranty, and mobile telecommunications services) based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Company sells the mobile devices, extended warranty, and telecommunication services. Accordingly, we now recognize greater equipment revenue up front and less service revenue over time.

B. Refunds^b

For the sale of a separate mobile device, the Company previously recognized revenue in full, recorded an allowance for sales returns (contra-revenue), and recorded a separate refund liability for expected returns. Under Topic 606, the Company reduces revenue by the amount of expected returns and records it as 'Trade and other payables'. The Company continues to estimate the amount of returns based on the historical data and probability weighted estimates for specific product models, adjusted as necessary to estimate returns for new product models.

In addition, the Company recognizes a related asset for the right to recover returned mobile devices and records it in the 'Inventories' caption.

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Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

C. SATCOM products

Previously, the Company recognized revenue for all SATCOM products when the customers took delivery of the products and formally accepted them because these contracts did not meet the definition of a construction contract in accordance with paragraph 605-35-15-6(a). Under Topic 606, the Company recognizes revenue when a customer obtains control over satellite communications equipment. Under SATCOM contracts with government agencies, the government controls all of the work-in-progress as satellite communications equipment are being built. Therefore, for such contracts, revenue is recognized progressively based on the cost-to-cost method. Under other SATCOM contracts, customers do not take control of the satellite communications equipment until they are completed. Therefore, the Company continues to recognize revenue for such contracts when products are delivered to customers and customers formally accept them.

D. Commission fees payable

The Company previously recognized commission fees related to SATCOM contracts as selling expenses when they were incurred. Under Topic 606, the Company capitalizes those commission fees as costs of obtaining a contract, when they are incremental and, if they are expected to be recovered, it amortizes them consistently with the pattern of transfer of the good or service to which the asset relates. If the expected amortization period is one year or less, the commission fee is expensed when incurred.

E. Activation fees

The Company previously recognized activation fees over the expected term of the customer relationship using the straight-line method. Under Topic 606 generally, the activation fees do not convey material rights in the Company's circumstances, and therefore in bundled arrangements the Company generally allocates a portion of the activation fees to the mobile devices, which is recognized at the time of the mobile device sales, and a portion to the service, which is recognized over the contract life of two years using the straight-line method.

Changes in accounting policies (also required for interim periods in initial year of adoption)

Explanatory notes

- | |
|---|
| <p>a. Adjustments are for illustrative purposes only and are unable to be recalculated based on the information provided in the supplement.</p> |
| <p>b. For illustrative purposes, this publication uses deferred revenue and contract liabilities as separate financial statement captions in this disclosure to illustrate the adjustments under the retrospective application. Amounts previously recorded in deferred revenue (e.g. activation fees) are now included within contract liabilities. Although this publication uses the term ‘Contract liabilities’, an entity may also use other terms and present the adjustments in a different manner.</p> |

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

F. Impacts on financial statements

The following tables summarize the impacts of Topic 606 adoption on the Company's consolidated financial statements.

i. Consolidated balance sheet

250-10-45-5,

606-10-65-1(i)

December 31, 2017 <i>In thousands of US dollars (\$)</i>	Impact of changes in accounting policies		
	As previously reported	Adjustments ^a	As adjusted
Trade and other receivables, net	13,401	4,545	17,946
Contract assets	–	1,681	1,681
Inventories	5,752	(1,959)	3,793
Equity method investments	2,011	17	2,028
Contract costs	–	2,398	2,398
Deferred tax assets	1,593	(553)	1,040
Others	57,938	–	57,938
Total assets	80,695	6,129	86,824
Trade and other payables	26,003	6	26,009
Contract liabilities ^b	–	5,202	5,202
Current portion of warranty liabilities	505	(6)	499
Deferred tax liabilities	95	2,333	2,428
Deferred revenue ^b	6,783	(6,783)	–
Others	17,010	–	17,010
Total liabilities	50,396	752	51,148
Retained earnings	11,104	5,312	16,416
Noncontrolling interests	1,498	65	1,563
Others	17,697	–	17,697
Total stockholders' equity	30,299	5,377	35,676
Total liabilities and stockholders' equity	80,695	6,129	86,824

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Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

F. Impacts on financial statements

ii. Consolidated statements of income and comprehensive income

250-10-45-5,
 606-10-65-1(ii)

For the year ended December 31, 2016 <i>In thousands of US dollars (\$)</i>	Impact of changes in accounting policies		
	As previously reported	Adjustments	As adjusted
Service revenue	44,443	234	44,677
Products revenue	59,069	326	59,395
Revenue	103,512	560	104,072
Cost of revenues	(70,252)	(597)	(70,849)
Selling, general, and administrative expenses	(13,056)	183	(12,873)
Finance income	817	293	1,110
Equity in income of equity method investee	677	(7)	670
Income tax expense	(1,921)	(246)	(2,167)
Others	(13,399)	–	(13,399)
Net income	6,378	186	6,564
Net income attributable to noncontrolling interest	284	–	284
Net income attributable to the Company	6,094	186	6,280
Net comprehensive income attributable to Company	XXX	XXX	XXX
For the year ended December 31, 2017 <i>In thousands of US dollars (\$)</i>	As previously reported	Adjustments	As adjusted
Service revenue	49,543	420	49,963
Product revenue	68,320	320	68,640
Revenue	117,863	740	118,603
Cost of sales revenues	(77,476)	(677)	(78,153)
Selling, general, and administrative expenses	(16,079)	214	(15,865)
Finance income	864	371	1,235
Equity in income of equity method investee	537	(6)	531
Income tax expense	(2,715)	(227)	(2,942)
Others	(17,306)	–	(17,306)
Net income	5,688	415	6,103
Net income attributable to noncontrolling interest	306	–	306
Net income attributable to the Company	5,382	415	5,797
Net comprehensive income attributable to Company	XXX	XXX	XXX

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Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

F. Impacts on financial statements (continued)

iii. Consolidated statements of cash flows

250-10-45-5,
606-10-65-1(i)

For the year ended December 31, 2016 <i>In thousands of US dollars (\$)</i>	Impact of changes in accounting policies		
	As previously reported	Adjustments	As adjusted
Net income	6,378	186	6,564
Adjustments for:			
– Depreciation and amortization	XXX	XXX	XXX
– Net finance (income) costs	506	(293)	213
– Equity in income of equity method investees	(677)	7	(670)
– Deferred income taxes	(133)	246	113
Changes in:			
– Inventories	(985)	140	(845)
– Contract costs	–	(312)	(312)
– Contract assets	–	213	213
– Trade and other receivables	942	201	1,143
– Trade and other payables	999	21	1,020
– Contract liabilities	–	13	13
– Deferred income	422	(422)	–
– [...]	XXX	–	XXX
Net cash from operating activities	XXX	XXX	XXX
– [...]	XXX	XXX	XXX
Net cash from investing activities	XXX	XXX	XXX
– [...]	XXX	XXX	XXX
Net cash from financing activities	XXX	XXX	XXX

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Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)

F. Impacts on financial statements (continued)

iii. Consolidated statements of cash flows (continued)

250-10-45-5,
606-10-65-1(i)

For the year ended December 31, 2017 <i>In thousands of US dollars (\$)</i>	Impact of changes in accounting policies		
	As previously reported	Adjustments	As adjusted
Net income	5,688	415	6,103
Adjustments for:			
– Depreciation and amortization	XXX	XXX	XXX
– Net finance (income) costs	1,203	(371)	832
– Equity in income of equity method investees	(537)	6	(531)
– Deferred tax expense	721	227	948
Changes in:			
– Inventories	1,117	677	1,794
– Contract costs	–	(214)	(214)
– Contract assets	–	(108)	(108)
– Trade and other receivables	(312)	17	(295)
– Trade and other payables	339	1	340
– Contract liabilities	–	62	62
– Deferred income	711	(711)	–
– [...]	XXX	–	XXX
Net cash from operating activities	XXX	XXX	XXX
– [...]	XXX	XXX	XXX
Net cash from investing activities	XXX	XXX	XXX
– [...]	XXX	XXX	XXX
Net cash from financing activities	XXX	XXX	XXX

Appendix I



Retrospective application with the cumulative effect of initially applying Topic 606

606-10-65-1(d)(2),
65-1(h)

- a.** This Appendix illustrates the possible format for required disclosures if an entity adopts Topic 606 retrospectively using the cumulative effect method.

For further details on the transition requirements, including the cumulative effect method, see our publications: *Revenue: Issues In-Depth* and *Transition to the new revenue standard*.

As many of the notes required under the cumulative effect method are not materially different from the main example, this appendix just includes selected presentation and disclosure items. However, an entity applying this approach would need to present all relevant notes as illustrated in the main example.

606-10-65-1(h)

- b.** Under the cumulative effect method, the comparative information in the balance sheet is not 'As adjusted'.

Consolidated balance sheets^{a, b}

	December 31, 2018	December 31, 2017
<i>In thousands of US dollars (\$), except share data</i>		
Assets		
Cash and cash equivalents	XXX	XXX
Trade and other receivables, net	19,701	13,401
Contract assets	721	–
Inventories	4,927	5,752
Other investments	XXX	XXX
Current assets	34,963	26,903
Equity method investments	2,686	2,011
Property, plant, and equipment, net	XXX	XXX
Intangible assets, net	XXX	XXX
Goodwill	XXX	XXX
Contract costs	2,296	–
Other investments	XXX	XXX
Deferred tax assets	934	1,593
Noncurrent assets	60,257	53,792
Total assets	95,220	80,695

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Consolidated balance sheets (continued)

	December 31, 2018	December 31, 2017
<i>In thousands of US dollars (\$), except per share data</i>		
Liabilities		
Current maturities of long-term debt	XXX	XXX
Trade and other payables	28,866	26,003
Income tax payable	XXX	XXX
Contract liabilities	5,567	–
Deferred revenue	–	6,783
Current portion of warranty liabilities	609	505
Employee benefits	XXX	XXX
Current liabilities	45,174	47,282
Long-term debt, less current maturities	XXX	XXX
Warranty liabilities, net of current portion	XXX	XXX
Deferred tax liabilities	2,420	95
Total liabilities	51,607	50,396
Stockholders' equity		
Class A common stock, \$X par value; XXX shares authorized; issued and outstanding XXX shares in 2018 and XXX shares in 2017	XXX	XXX
Additional paid-in capital	XXX	XXX
Accumulated other comprehensive income (loss)	XXX	XXX
Retained earnings	23,966	11,104
Total equity attributable to owners of the Company	41,663	28,801
Noncontrolling interests	1,950	1,498
Total stockholders' equity	43,613	30,299
Total liabilities and stockholders' equity	95,220	80,695

* See Note 4

The accompanying notes are an integral part of these consolidated financial statements.

Statements of income and comprehensive income

Explanatory notes

<p><i>606-10-65-1(d)(2), 65-1(h)</i></p>	<p>a. If an entity elects to apply the guidance retrospectively using the cumulative effect method, the comparative information in the statements of income and comprehensive income is not 'as adjusted.'</p>
<p><i>Reg S-X Rule 5-03(b)(2)</i></p>	<p>b. For illustrative purposes, this publication reports cost of revenues as opposed to reporting the costs and expenses applicable to each category of revenues such as 'cost of services' and 'cost of products sold'. SEC registrants would be required to report the costs and expenses applicable to each category of sales and revenues.</p>

Consolidated statements of income and comprehensive income^a

<i>In thousands of US dollars (\$) except per share information</i>	<i>For the year ended December 31</i>		
	2018	2017	2016
Service revenue	52,124	49,543	44,443
Products revenue	64,455	68,320	59,069
Revenue	116,579	117,863	103,512
Cost of revenues ^b	(69,571)	(77,476)	(70,252)
Selling, general and administrative expenses	(15,562)	(16,079)	(13,056)
Other operating expenses	XXX	XXX	XXX
Operating income	10,334	9,347	8,902
Finance income	2,331	864	817
Finance costs	(1,977)	(2,345)	(2,097)
Other income (expenses), net	354	(1,481)	(1,280)
Equity in income of equity method investee	641	537	677
Net income before tax	11,329	8,403	8,299
Income tax expense	(3,392)	(2,715)	(1,921)
Net income	7,937	5,688	6,378
Net income attributable to noncontrolling interest	387	306	284
Net income attributable to the Company	7,550	5,382	6,094
Basic earnings per common share:	\$0.33	\$0.25	\$0.29
Weighted-average shares outstanding (in millions)	22,961	21,435	21,322
Diluted earnings per share	\$0.33	\$0.25	\$0.28
Weighted-average shares outstanding (in millions)	23,002	21,650	21,476
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences	XXX	XXX	XXX
Equity method investees – share of OCI	(XXX)	(XXX)	(XXX)
Available-for-sale financial assets – net change in fair value	XXX	XXX	XXX
Other comprehensive income, net of tax	XXX	XXX	XXX
Less comprehensive income attributable to noncontrolling interest	(XXX)	(XXX)	(XXX)
Net comprehensive income attributable to the Company	XXX	XXX	XXX

* See Note 4

The accompanying notes are an integral part of these consolidated financial statements.

Statement of changes in stockholders' equity

Explanatory notes

606-10-65-1(d)(2),
65-1(h)

- a.** If an entity elects to apply the guidance retrospectively using the cumulative effect method, it is required to recognize the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) in the annual reporting period that includes the date of initial application. Under this transition method, an entity may elect to apply Topic 606 retrospectively either to all contracts at the date of initial application or only to contracts that are not completed at the date of initial application.

Consolidated statements of changes in stockholders' equity

For the year ended December 31

<i>In thousands of US dollars (\$)</i>	Attributable to owners of the Company							Noncontrolling interests	Total stockholders' equity
	Class A Shares	Class A Common Stock	Additional Paid-in Capital	Retained (deficit) earnings	Accumulated Comprehensive (Loss) Income	Equity attributable to the Company			
Balance at January 1, 2016	XXX	XXX	XXX	(372)	XXX	17,325	908	18,233	
Net income	–	–	–	6,094	–	6,094	284	6,378	
[...]	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Balance at December 31, 2016	XXX	XXX	XXX	5,722	XXX	23,419	1,192	24,611	
Net income	–	–	–	5,382	–	5,382	306	5,688	
[...]	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Balance at December 31, 2017	XXX	XXX	XXX	11,104	XXX	28,801	1,498	30,299	
Balance at January 1, 2018, as previously reported	XXX	XXX	XXX	11,104	XXX	28,801	1,498	30,299	
Impact of change in accounting policy ^a	XXX	XXX	XXX	5,312	XXX	5,312	65	5,377	
Adjusted balance at January 1, 2018	XXX	XXX	XXX	16,416	XXX	34,113	1,563	35,676	
Net income	–	–	–	7,550	–	7,550	387	7,937	
[...]	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
Balance at December 31, 2018	XXX	XXX	XXX	23,966	XXX	41,663	1,950	43,613	

* See Note 4

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of cash flows

Explanatory notes

*606-10-65-1(d)(2),
65-1(h)* **a.** Under the cumulative effect method, the comparative information in the consolidated statement of cash flows is not 'as adjusted.'

Consolidated statements of cash flows^a

	For the year ended December 31		
<i>In thousands of US dollars (\$)</i>	2018	2017	2016
Cash flows from operating activities			
Net income	7,937	5,688	6,378
Adjustments for:			
– Depreciation and amortization	XXX	XXX	XXX
– Net finance income (costs)	(274)	1,203	506
– Equity in income of equity method investees	(641)	(537)	(677)
– Deferred income tax expense	98	721	(133)
Changes in:			
– Inventories	(1,134)	1,117	(985)
– Contract costs	102	-	-
– Contract assets	960	-	-
– Trade and other receivables	(1,755)	(312)	(942)
– Trade and other payables	2,857	339	999
– Contract liabilities	365	-	-
– Deferred income	-	711	422
– [...]	XXX	XXX	XXX
Net cash from operating activities	XXX	XXX	XXX
Cash flows from investing activities			
[...]			
Net cash used in investing activities	XXX	XXX	XXX
Cash flows from financing activities			
[...]			
Net cash from financing activities	XXX	XXX	XXX
Net decrease in cash and cash equivalents	XXX	XXX	XXX
Cash and cash equivalents at beginning of year	XXX	XXX	XXX
Effect of movements in exchange rates on cash held	XXX	XXX	XXX
Cash and cash equivalents at end of year	XXX	XXX	XXX

* See Note 4

The accompanying notes are an integral part of these consolidated financial statements.

Changes in accounting policies

Explanatory notes

606-10-65-1(d)(2) **a.** In applying the cumulative effect method, the accounting policies for revenue recognition that the Company had applied before the adoption of Topic 606 are applied to the financial statements for the comparative period. As a result, the pre-Topic 606 accounting policies need to be disclosed as well as those which the Company applies after the adoption of Topic 606. In this Appendix, an example for the disclosure of the accounting policies applied before the adoption of Topic 606 is not provided.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies^a

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Company adopted Topic 606 *Revenue from Contracts with Customers* with a date of initial application of January 1, 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

Topic 250

The Company applied Topic 606 using the cumulative effect method – i.e. by recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of equity at January 1, 2018. Therefore, the comparative information has not been adjusted and continues to be reported under Topic 605. The details of the significant changes and quantitative impact of the changes are set out below.

A. Sale of mobile devices in bundled packages

[...]

B. Refunds

[...]

C. SATCOM products

[...]

D. Commission fees payable

[...]

E. Activation fees

[...]

Changes in accounting policies

Explanatory notes

606-10-65-1(i)

- a. For reporting periods that include the date of initial application, the Company is required to provide the amount by which each financial statement line item is affected in the current reporting period by the adoption of Topic 606 as compared with the guidance that was in effect before the change.

Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)**F. Impacts on financial statements**

The following tables summarize the impacts of adopting Topic 606 on the Company's consolidated financial statements for the year ended December 31, 2018.

606-10-65-1(i)(1)

i. Consolidated balance sheet

December 31, 2018 <i>In thousands of US dollars (\$)</i>	Impact of changes in accounting policies		Balances without adoption of Topic 606
	As reported	Adjustments	
Cash and cash equivalents	XXX	–	XXX
Trade and other receivables, net	19,701	(4,612)	15,089
Contract assets	721	(721)	–
Inventories	4,927	986	5,913
Equity method investments	2,686	(21)	2,665
Contract costs	2,296	(2,296)	–
Others	63,955	–	63,955
Deferred tax assets	934	322	1,256
Total assets	95,220	(6,342)	88,878
Trade and other payables	28,866	(4)	28,862
Contract liabilities	5,567	(5,567)	–
Deferred revenue	–	6,487	6,487
Current portion of warranty liabilities	609	4	613
Deferred tax liabilities	2,420	(2,325)	95
Others	14,145	–	14,145
Total liabilities	51,607	(1,405)	50,202
Others	17,697	–	17,697
Retained earnings	23,966	(4,904)	19,062
Noncontrolling interests	1,950	(33)	1,917
Total stockholders' equity	43,613	(4,937)	38,676
Total stockholders' equity and liabilities	95,220	(6,342)	88,878

Interim guidance

For interim periods, a public business entity adopting the standard using the cumulative effect method is required to disclose the amount by which each financial statement line item is affected in the current reporting period by the application of Topic 606 as compared with the guidance that was in effect before the change.

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Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)**F. Impacts on financial statements (continued)^a****ii. Consolidated statements of income and comprehensive income**

606-10-65-1(i)(1)

For the year ended December 31, 2018 <i>In thousands of US dollars (\$)</i>	Impact of changes in accounting policies		Balances without adoption of Topic 606
	As reported	Adjustments	
Service revenue	52,124	(1,031)	51,093
Products revenue	64,455	2,976	67,431
Revenue	116,579	1,945	118,524
Cost of revenues	(69,571)	(973)	(70,544)
Selling, general and administrative expenses	(15,562)	102	(15,460)
Finance income	2,331	(391)	1,940
Equity in income of equity method investees	641	(4)	637
Income tax expense	(3,392)	(239)	(3,631)
Others	(23,089)	–	(23,089)
Net income	7,937	440	8,377
Net income attributable to noncontrolling interest	387	33	420
Net income attributable to the Company	7,550	407	7,957

Interim guidance

For interim periods, a public business entity adopting the standard using the cumulative effect method is required to disclose the amount by which each financial statement line item is affected in the current reporting period by the application of Topic 606 as compared with the guidance that was in effect before the change. For example, in the second quarter, an entity will disclose the amount by which each financial line item is affected for both the three-month period and the period year-to-date.

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Notes to the consolidated financial statements (continued)

4. Changes in accounting policies (continued)**F. Impacts on financial statements (continued)**

606-10-65-1(i)(1)

iii. Consolidated statements of cash flows

For the year ended December 31, 2018 <i>In thousands of US dollars (\$)</i>	Impact of changes in accounting policies		Balances without adoption of Topic 606
	As reported	Adjustments	
Net income	7,937	440	8,377
Adjustments to reconcile net income to net cash provided by operating activities			
– Depreciation and amortization	XXX	XXX	XXX
– Net finance income/(costs)	(274)	(340)	(614)
– Equity in income of equity method investee	(641)	4	(637)
– Deferred income tax expense	98	277	375
Changes in:			
– Inventories	(1,134)	973	(161)
– Contract costs	102	(102)	–
– Contract assets	960	(960)	–
– Trade and other receivables	(1,755)	67	(1,688)
– Trade and other payables	2,857	2	2,859
– Contract liabilities	365	(365)	–
– Deferred income	–	296	296
– [...]	XXX	XXX	XXX
Net cash from operating activities	XXX	XXX	XXX
[...]	XXX	XXX	XXX
Net cash from investing activities	XXX	XXX	XXX
[...]	XXX	XXX	XXX
Net cash from financing activities	XXX	XXX	XXX

Interim guidance

For interim periods, a public business entity adopting the standard using the retrospective method with the cumulative effect is required to disclose the amount by which each financial statement line item is affected in the current reporting period by the application of Topic 606 as compared with the guidance that was in effect before the change.

Appendix II



Disclosure checklist (annual and interim)

Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
General						
606-10-50-1	Disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.	✓	✓	✓		
606-10-50-2	Aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.	✓	✓	✓		
606-10-50-3	Amounts disclosed are for each reporting period for which a statement of comprehensive income is presented and as of each reporting period for which a balance sheet is presented.	✓	✓	✓		
606-10-50-3	An entity need not disclose information in accordance with Topic 606 if it has provided the information in accordance with another Topic.	✓	✓	✓		
606-10-32-2A	An entity shall comply with the applicable accounting policy disclosure requirements in paragraphs 235-10-50-1 through 235-10-50-6 including disclosure of any elections made under Topic 606 (e.g. accounting policy elections related to shipping and handling costs and certain taxes assessed by governmental entities that an entity collection from a customer).	✓	✓	✓		

- ✓ Required
- ✗ Not required for private entities ¹
- new requirement
- similar requirement to existing US GAAP but with additional required disclosures
- effectively the same disclosures as existing US GAAP

¹ An entity, except for a public business entity, a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, or an employee benefit plan that files or furnishes financial statements with or to the SEC.

Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
Contracts with customers						
606-10-50-4	Disclose all of the following amounts for the reporting period unless the amounts are presented separately in the statement of comprehensive income in accordance with other Topics:	✓	✓	✓		●
606-10-50-4(a)	– revenue recognized from contracts with customers, which the entity shall disclose separately from its other sources of revenue; and	✓	✓	✓		●
606-10-50-4(b)	– any impairment loss recognized (in accordance with Topic 310) on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall disclose separately from impairment losses from other contracts.	✓	✓	✓		●
Disaggregation of revenue						
606-10-50-5	An entity shall disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.	✓	✗	✓	✓	●
606-10-55-90	An entity should consider all of the following when selecting the type of category (or categories) to use to disaggregate revenue:	✓	✗	✓	✓	●

- ✓ Required
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- new requirement
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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
606-10-55-90(a)	– disclosures presented outside the financial statements (e.g. in earnings releases, annual reports, or investor presentations);	✓	✗	✓	✓	●
606-10-55-90(b)	– information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments; and	✓	✗	✓	✓	●
606-10-55-90(c)	– other information that is similar to the types of information identified in (a) and (b) and that is used by the entity or users of the entity's financial statements to evaluate the entity's financial performance or make resource allocation decisions.	✓	✗	✓	✓	●
606-10-55-91	Examples of categories that might be appropriate include, but are not limited to, all of the following: – type of good or service; – geographical region; – market or type of customer; – type of contract; – contract duration; – timing of transfer of goods or services; and – sales channels	✓	✗	✓	✓	●
606-10-50-6	An entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment, if the entity applies Topic 280.	✓	✗	✓	✓	●

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606-10-50-7	A qualifying entity ¹ electing not to apply the quantitative disaggregation disclosures in 606-10-50-5 and 50-6 shall disclose, at a minimum, revenue disaggregated according to the timing of transfer of goods or services and qualitative information about how economic factors affect the nature, amount, timing, and uncertainty of revenue and cash flows.	N/A	✓	✓		●
Contract balances						
606-10-50-8	An entity shall disclose all of the following:					
606-10-50-8(a)	– the opening and closing balances of receivables, contract assets, and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;	✓	✓	✓	✓	●
606-10-50-8(b)	– revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period; and	✓	✗	✓	✓	●
606-10-50-8(c)	– revenue recognized in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price).	✓	✗	✓	✓	●

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
606-10-50-9	An entity shall explain how the timing of satisfaction of its performance obligations relates to the typical timing of payment and the effect that those factors have on the contract asset and the contract liability balances. The explanation provided may use qualitative information.	✓	✗	✓		●
606-10-50-10	An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information. Examples of changes in the entity's balances of contract assets and contract liabilities include any of the following:	✓	✗	✓		●
606-10-50-10(a)	– changes due to business combinations;	✓	✗	✓		●
606-10-50-10(b)	– cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price or a contract modification;	✓	✗	✓		●
606-10-50-10(c)	– impairment of a contract asset;	✓	✗	✓		●

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
606-10-50-10(d)	– a change in the time frame for a right to consideration to become unconditional (i.e. a contract asset to be reclassified to a receivable); and	✓	✗	✓		●
606-10-50-10(e)	– a change in the time frame for a performance obligation to be satisfied (i.e. the recognition of revenue arising from a contract liability).	✓	✗	✓		●
	A qualifying entity ¹ electing not to apply the contract balance disclosures shall disclose the opening and closing balances of receivables, contract assets, and contract liabilities from contracts with customers, if not separately presented or disclosed.	N/A	✗	✓		●
Performance obligations						
606-10-50-12	An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:	✓	✓	✓		●
606-10-50-12(a)	– when the entity typically satisfies its performance obligations including when performance obligations are satisfied in a bill-and-hold arrangement;	✓	✓	✓		●
606-10-50-12(b)	– the significant payment terms (e.g. when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable, and whether the estimate of variable consideration is typically constrained);	✓	✓	✓		●

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
606-10-50-12(c)	– the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer good or services (i.e. if the entity is acting as an agent);	✓	✓	✓		●
606-10-50-12(d)	– obligations for returns, refunds, and other similar obligations; and	✓	✓	✓		●
606-10-50-12(e)	– obligations for returns, refunds, and other similar obligations; and	✓	✓	✓		●
606-10-50-13(a)	An entity shall disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.	✓	✗	✓	✓	●
606-10-50-16						
606-10-50-13(b)	An entity shall explain when it expects to recognize as revenue the amount disclosed on either a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations or by using qualitative information.	✓	✗	✓	✓	●
606-10-50-14	As a practical expedient, an entity need not disclose the information in paragraph 606-10-50-13 for a performance obligation if either of the following conditions is met: – the performance obligation is part of a contract that has an original expected duration of one year or less; and	✓	✗	✓	✓	

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
	<p>– the entity recognizes revenue from the satisfaction of the performance obligation in accordance with paragraph 606-10-55-18 (right to invoice).</p> <p>Refer to page 85 for discussion of the FASB's proposals to expand this practical expedient to other types of variable consideration.</p>					
606-10-50-15	An entity shall explain qualitatively whether it is applying the practical expedient in paragraph 606-10-50-14 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with paragraph 606-10-50-13.	✓	✗	✓	✓	●
Significant judgments in the application of Topic 606						
606-10-50-17	An entity shall disclose the judgments, and changes in the judgments, made in applying the guidance in Topic 606 that significantly affect the determination of the amount and timing of revenue from contracts with customers. An entity shall explain the judgments, and changes in the judgments, used in determining both of the following:	✓	✓	✓		●
	– the timing of satisfaction of performance obligations; and	✓	✓	✓		●

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
	– the transaction price and the amounts allocated to performance obligations.	✓	✓	✓		●
606-10-50-18(a)	For performance obligations that an entity satisfies over time, an entity shall disclose both of the following: – the methods used to recognize revenue (e.g. a description of the output methods or input methods used and how those methods are applied); and	✓	✓	✓		●
606-10-50-18(b)	– an explanation of why the methods used provide a faithful depiction of the transfer of goods or services.	✓	✗	✓		●
606-10-50-19	For performance obligations satisfied at a point in time, an entity shall disclose the significant judgments made in evaluating when a customer obtains control of promised goods or services.	✓	✗	✓		●
606-10-50-20	An entity shall disclose information about the methods, inputs, and assumptions used for all of the following:					
606-10-50-20(a)	– determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money, and measuring noncash consideration;	✓	✗	✓		●
606-10-50-20(b)	– assessing whether an estimate of variable consideration is constrained;	✓	✓	✓		●

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
606-10-50-20(c)	– allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable); and	✓	✗	✓		●
606-10-50-20(d)	– measuring obligations for returns, refunds, and other similar obligations.	✓	✗	✓		●
Assets recognized from the costs to obtain or fulfill a contract with a customer						
340-40-50-2	An entity shall describe both of the following: <ul style="list-style-type: none"> – the judgments made in determining the amount of costs incurred to obtain or fulfill a contract with a customer (in accordance with paragraphs 340-40-25-1 or 25-5); and – the method it uses to determine the amortization for each reporting period. 	✓	✗	✓		●
340-40-50-3	An entity shall disclose all of the following: <ul style="list-style-type: none"> – the closing balances of assets recognized from the costs incurred to obtain or fulfill a contract with a customer (in accordance with paragraphs 340-40-25-1 or 25-5), by main category of asset (e.g. costs to obtain contracts with customers, precontract costs, and setup costs); and 	✓	✗	✓		●

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
	– the amount of amortization and any impairment losses recognized in the reporting period.	✓	✗	✓		●
606-10-50-22	If an entity elects to use either the practical expedient in paragraph 606-10-32-18 (about the existence of a significant financing component) or paragraph 340-40-25-4 (about the incremental costs of obtaining a contact) the entity shall disclose that fact.	✓	✗	✓		
606-10-50-23						
Transition						
606-10-65-1(e)	If Topic 606 is applied retrospectively to each prior reporting period presented, disclose the following:					
250-10-50-1(a)	– the nature of and reason for the change	✓	✓	✓	✓	●
250-10-50-1(b)	– the method of applying the change	✓	✓	✓	✓	●
250-10-50-1(b) (1)	– a description of the prior-period information that has been retrospectively adjusted	✓	✓	✓	✓	●
606-10-65-1(e)	– the effect of the changes on any prior periods that have been retrospectively adjusted	✓	✓	✓	✓	●
606-10-65-1(f) (3)	– for all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations but should disclose if this practical expedient is used	✓	✓	✓	✓	●

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
606-10-65-1(e)	– any entity need not disclose the effect of the changes on the current period, which otherwise is required by paragraph 250-10-50-1(b)(2) unless the entity is adopting under the cumulative effect method	✓	✓	✓	✓	●
606-10-65-1(i)	If Topic 606 is applied retrospectively with the cumulative effect of in initial application, disclose the following information:					
606-10-65-1(i), 250-10-50-1(a)	– the nature and reason for the change in accounting principle	✓	✓	✓	✓	●
250-10-50-1(b)	– the method of applying the change	✓	✓	✓	✓	●
606-10-65-1(h)	– whether it has applied the guidance to all contracts at the date of initial application or only to contracts that are not completed at the date of initial application	✓	✓	✓	✓	●
606-10-65-1(i) (1)	– the amount by which each financial statement line item is affected in the current reporting period by the application of Topic 606 as compared with the guidance that was in effect before the change; and	✓	✓	✓	✓	●
606-10-65-1(i) (2)	– an explanation of the reasons for significant financial statement line item changes.	✓	✓	✓	✓	●

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Reference	Description	Public	Private ¹	Annual	Interim (Public only)	What's new
606-10-65-1(f), 65-1(g), 65-1(h)	For any of the transition practical expedients in paragraph 606-10-65-1(f) that the entity uses, disclose all of the following information:					
606-10-65-1(g) (1), 65-1(h)	– The expedients that have been used; and	✓	✓	✓	✓	●
606-10-65-1(g) (2), 65-1(h)	– to the extent reasonably possible, a qualitative assessment of the estimated effect of applying each of those expedients.	✓	✓	✓	✓	●

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Disclosures when applying practical expedients on an ongoing basis

<i>606-10-50-14</i>	<p>As a practical expedient, an entity is not required to disclose the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations and an explanation of when the entity expects to recognize that revenue using quantitative or qualitative disclosures if:</p> <ul style="list-style-type: none"> – the contract has an original expected duration of one year or less; or – the entity applies the practical expedient in paragraph 606-10-55-18 to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity’s performance completed to date – e.g. a service contract in which the entity bills a fixed hourly amount. <p>In March 2016, the FASB decided to propose an additional practical expedient that would allow an entity to not include the following types of variable consideration in the disclosure of remaining performance obligations:</p> <ul style="list-style-type: none"> – sales-based or usage-based royalties promised in exchange for a license of intellectual property; and – variable consideration that is allocated entirely to a wholly unsatisfied performance obligation; or to a wholly unsatisfied distinct good or service that forms part of a single performance obligation, and meets the variable allocation criteria in paragraph 606-10-32-40. <p>In conjunction with the option to remove certain quantitative disclosures, the FASB also decided to make improvements to the qualitative disclosure requirements for remaining performance obligations which may be incremental to the disclosures described here.</p> <p>As of the date of this publication, the FASB has not yet issued an Exposure Document outlining this proposal. The FASB proposal does not amend the requirements of the new standard until a final ASU is issued. An entity that would like to avail themselves of the proposed additional practical expedient should monitor FASB deliberations on this topic.</p>
<i>606-10-50-15</i>	The entity should also disclose whether it is applying the practical expedient.
<i>606-10-32-18</i> <i>606-10-50-22</i>	If an entity elects to use the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the entity discloses that fact.
<i>340-40-25-4</i> <i>606-10-50-22</i>	If an entity elects to use the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred as a result of the amortization period of the asset being one year or less, the entity discloses that fact.

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